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SUBJECT: USAID Team Examines Situation on the Ground in North  
Caucasus, Ongoing Program Needs

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SUMMARY  
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1.(SBU) From September 29 to October 3, USAID staff including USAID Deputy Assistant Administrator for the Bureau for Democracy, Conflict and Humanitarian Assistance traveled to North Ossetia and Kabardino-Balkaria: to assess any outstanding humanitarian needs as a result of the recent conflict in South Ossetia and to lay initial groundwork for an assessment of the possible future direction of USAID's current North Caucasus Program which is focused on stabilization and conflict mitigation. The team held roundtables in Vladikavkaz (9/30) and in Nalchik (10/2) to interface with USAID partners, other local Russian NGOs, and local government officials. The team also visited community revitalization projects and met with local officials in mixed Ingush/Ossetian communities in the Prigorodny Raion of North Ossetia, where USAID projects have formed public councils to solve community problems, supported reconstruction efforts, and provided resources, equipment, and jobs to develop the local economy. Prigorodny witnessed ethnic conflict between the Ingush and Ossetians in the early-1990s and is home to a significant number of South Ossetians from the 1992-93 conflict with Georgia.

2.(SBU) The Children's Fund of North Ossetia, the Caucasus Refugee Council, and other organizations affirmed a continued need for substantial international support to South Ossetia in light of depleted housing stocks, the approach of winter, the rising cost of construction materials due to increased demand, and the ongoing handover of reconstruction efforts to South Ossetian authorities not well-prepared to take on this responsibility. While the residual dislocation of refugees in North Ossetia from the recent conflict is minimal (estimates range from 1,000-5,000), the authorities noted that the refugees are often staying in areas inhabited by the waves of refugees from the earlier conflicts in South Ossetia in the early-90s. Infrastructure is incapable of supporting even the current population. The head of the North Ossetian Department of External Affairs noted that Moscow's instruction to support South Ossetian development is also placing budgetary and administrative burdens on North Ossetia at a time when it faces its own economic and security challenges. End Summary.

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BACKGROUND ON USAID ACTIVITIES IN NORTH CAUCASUS  
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3.(SBU) USAID's development assistance efforts in Russia seek to advance critical U.S. interests and help Russia become a stable, democratic, and reliable partner with the United States in

addressing global issues. Its program in the North Caucasus (NC), begun nearly four years ago, is a critical component of this overarching assistance goal, and one of the most sensitive and operationally-challenging parts of the USAID/Russia portfolio. Assisting in the stabilization and reconstruction of the NC is vital to the overall stability of the entire Caucasus region if we are to reduce the potential for a spread of violence partly attributed to home-grown extremism on the one hand, and deepening youth frustration on the other.

4.(SBU) The NC continues to face a number of very complex socio-economic challenges, including high rates of poverty, unemployment, displaced populations, and deep and multi-layered corruption. According to multiple individuals with regular access inside Chechnya (including up through Shatoi and Itum Kale) with whom USAIDOFFS spoke, Chechnya seems to be stabilizing, despite the often deadly feuding between clans competing for access to resources and hence power, while Ingushetia is an increasingly Islamicized powderkeg with a new mosque and Islamic University courtesy of financial support from Ramzan Kadyrov. (N.B.: according to our well placed interlocutors, young people from Chechnya and Ingushetia are "leaving for the mountains", in larger numbers than accounted for in the recent past.) The Elbruz raion of Kabardino-Balkaria also appears to be a "hot zone" owing to the number of "boiviki" (fighters) who live in the foothills leading up to the mountains. Ethnic, religious and clan issues are deeply entrenched, and a "military economy" - characterized by the Russian military's complicity with local militants, dealing weapons, trading narcotics and trafficking in persons - may be thriving. One interlocutor indicated that in Ingushetia, the FSB is "out of control" and that the trends are all negative given increased criminality, increased clan competition, increased (violent) political competition and

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increased activities on the part of the jamaat (comment: it's not clear if it's the Ingush jamaat or the larger united Caucasian jamaat with Ingush representation. End comment.) The NC region is poorly integrated into the Russian Federation, and governance bodies lack capacity at all levels. Nevertheless, there are opportunities to work effectively in the region, including a relatively improved security environment, Chechen efforts to rebuild, and the desire of the Russian government to support programs that will limit conflict from spreading to neighboring regions.

5.(SBU) Current projects in the region, which primarily came from an open-ended Request for Application (RFA) issued in 2006, include conflict mitigation, job creation, local governance and policy reform, civil society, community development, infrastructure, tolerance-building, health, social services, psycho-social rehabilitation, combating terrorism, and anti-corruption. Many projects focus on at-risk groups and youth. USAID's geographic focus is in four key regions - Chechnya, Ingushetia, North Ossetia and Dagestan - as well as the five neighboring regions of Krasnodarsky Krai, Adygeya Republic, Karacheyevo-Cherkassia Republic, Stavropolsky Kray, and Kabardino-Balkarskaya Republic, with a total population of about 7 million. USAID's key partners include with programs in the North Caucasus include: the International Rescue Committee (IRC), World Vision, Keystone, IREX, the Children's Fund of North Ossetia (CFNO), Russian Microfinance Center, UNICEF, ACDI/VOCA, the Southern Regional Resource Center (SRRC), the Center for Fiscal Policy (CFP), the Center for International Private Enterprise (CIPE), the Institute for Urban Economics, "Faith, Hope, Love" (FHL), the International Federation of the Red Cross (IFRC), and the Fund for Sustainable Development (FSD).

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THE SITUATION IN SOUTH OSSETIA  
AS SEEN FROM NORTH OF THE BORDER  
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6.(SBU) Despite initial restrictions in movement in North Ossetia and a wave of approximately 37,000 refugees from South Ossetia, in North Ossetia little evidence remains of their presence. According to the head of the UNHCR Office in Vladikavkaz (Mary-Jane Meierdiercks-Popovic) on September 30, all but approximately

1000-2000 of the refugees have returned to South Ossetia (Note: Other sources state the number of those remaining as high as 5,000). UNHCR, NGOs, and the Ministry of Emergency Situations (EMERCOM) predict that that number may grow by as much as 1,000 as winter approaches given the slow pace of reconstruction efforts in South Ossetia. UNHCR anticipates that the needs will be modest during that period for those staying in North Ossetia and that approximately 90% are Russian citizens.

7.(SBU) By the accounts of international aid agencies and NGOs, EMERCOM's response to the crisis was swift, effective, and substantial in meeting immediate humanitarian needs in South Ossetia and in North Ossetia. EMERCOM coordinated the relief effort for the Russian government, setting up a task force in Tskhinvali and Vladikavkaz to coordinate response efforts and providing nearly 3000 staff; hundreds of pieces of emergency response equipment including trucks, helicopters, and aircraft; and 11,500 metric tons of humanitarian aid (Source: EMERCOM Report of 9/24/2008). EMERCOM Minister Sergei Shoigu stated that operations in South Ossetia to mitigate the humanitarian crisis were completed on September 15, to be followed by a period of large-scale construction, infrastructure repair, and peace keeping. The bulk of the responsibility for reconstruction efforts has been passed back to the South Ossetian authorities and on October 4 South Ossetian President Eduard Kokoiti signed a declaration establishing a South Ossetian EMERCOM. The Russian construction agency SpecSstroy continues to provide materials and labor to continue the construction efforts, but the infrastructure in South Ossetia was in a state of disrepair before the conflict and will need a substantial investment of resources and time to address basic community needs. (Note: EMERCOM in North Ossetia canceled our scheduled meeting two days before our visit). (N.B.: Both UN and NGOs reps indicated that while no requests for assistance had been received officially, specific kinds of assistance, such as limited amounts of food and emergency blankets, when offered, was welcomed.)

8.(SBU) On October 1, representatives from NGOs that have visited South Ossetia, including the Caucasus Business and Development Network and the Caucasus Refugee Council (CRC) told us that substantial reconstruction work remains to be done in South Ossetia.

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Separately, EMERCOM reported on September 24 that 2522 residential buildings had been destroyed in South Ossetia, 1121 of which were beyond repair. EMERCOM reported that 29 educational institutions, 17 healthcare facilities, 68 km of gas lines, 160 km of water lines and 458 km of electrical lines were also damaged. Currently, 51 of 55 schools are reported operational. UNHCR told us that they expect the report for the UN SecGen from the visit of UNHCR High Commissioner Antonio Guterres to South Ossetia to be released shortly.

9.(SBU) The number of NGOs and international groups providing aid to South Ossetia remains small. UNHCR reported that only the International Committee of the Red Cross was operational in South Ossetia, with approximately 50 staff equipping a trauma unit and providing insulin supplies and food stuffs. On September 30, the deputy head of the CFNO told us of their plans to open an office in South Ossetia in October to coordinate the delivery of humanitarian aid. CFNO helped to place children in temporary foster care in North Ossetia and in Moscow, provided educational supplies, and basic clothing. CFNO is a key partner with USAID in rehabilitating community infrastructure in mixed Ingush/Ossetian communities in the Prigorodny Raion and other parts of North Ossetia and has close relations with the Republican Government in North Ossetia. The CRC also plans to undertake some operations in South Ossetia and was seeking international sources of funding to support its efforts.

10.(SBU) Ossetian NGO groups and the government of North Ossetia stated that the process of integrating South Ossetia into Russia will likely be swift (this, despite the fact that South Ossetia has been recognized as "independent" and not a part of the Russian Federation). The CRC said that by necessity strong economic links are developing, combined with strong cross-border family ties. The government of North Ossetia has also been tasked with helping

develop the governmental institutions in South Ossetia and Prime Minister Putin has set aside 10 billion rubles (USD 400 million) for South Ossetia. Comment: When asked, a South Ossetian with whom we spoke indicated South Ossetians wanted independence while North Ossetians want the South integrated within Northern Ossetia. None of our interlocutors spoke of a greater independent Ossetia, but clearly that was on some people's minds. End comment.

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THE OPERATING ENVIRONMENT IN THE NORTH CAUCASUS,  
RELATIONS WITH LOCAL GOVERNMENT  
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11.(SBU) According to UN Department of Safety and Security (UNDSS) specialists and USAID partner organizations, the security environment in the NC republics of Dagestan, Chechnya, Ingushetia, North Ossetia, Kabardino-Balkaria, and Karachay-Cherkessia remains dynamic and challenging for aid organizations. Dagestan, Chechnya, Ingushetia, and the five southern districts of Stavropol Krai remain pegged by UNDSS as Security Level IV (Insecure), which according to UN policy requires armed escorts with no overnighting for international staff. Most of North Ossetia, Kabardino-Balkaria, and Karachay-Cherkessia are Level III (Transitional), although a request to downgrade to Phase II is in New York for consideration. In 2008 the modest improvements in the security environment in Chechnya have been accompanied by a steep decline in the security environment in Ingushetia and Dagestan. USAID partner IRC closed offices in Ingushetia following the shelling of a UNDSS post in 2007 and threats to the security of some members of their local staff, along with the UN. Ambush attacks occur several times each week on Ingushetian government officials and members of the security forces.

While North Ossetia has remained relatively quiet aside from a high level of economic crime, during our visit on October 1, the head of the criminal investigation unit of the North Ossetian police and his 20-year old son were killed in Vladikavkaz when their vehicle came under small arms fire. UNDSS and the CRC noted an increase in the availability of arms due the formation of Ossetian militias that volunteered to fight against Georgian forces. UNHCR commented that this trend combined with the increase in numbers of civilians with exposure to combat may have a negative impact on stability in North Ossetia. That said, AIDOFFS noticed a more relaxed security presence than over the last 4 years (Kvitashvili has traveled repeatedly to the North Caucasus over the past four years), with little to no visible military presence and no road blocks or security checkpoints along roads traveled. Perhaps due to Bayram (the end of Ramadan), the streets of Vladikavkaz and Nalchik were full of pedestrians until late at night.

12.(SBU) In addition to security precautions, the travel restrictions imposed by Russian authorities have generally expanded

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due to the introduction of the Russian Anti-terrorism Law which permits the Federal Security Service to restrict access to large areas on short notice. Similarly for the duration of the conflict in South Ossetia, movement of internationals in North Ossetia was restricted to the two cities, Vladikavkaz and Beslan, along Route 1155. UN staff reported that Russian officials did not want international staff observing troop movements along the border. When asked about the movements of Russian forces in advance of August 7, staff reported that it was difficult to discern whether the movements were associated with the large Russian military exercise or a tactical troop buildup. Programmatically the difficulty for certain USAID partners including WV to receive travel permission from the North Ossetian Department of External Affairs has complicated project implementation efforts.

13.(SBU) During our October 1 meeting with the head of the Department of External Affairs Vladimir Tabolov, we discussed USAID program activities in North Ossetia and the region in the areas of community development, interethnic tolerance, agriculture, economic development, and education. Tabolov, who clearly represents Moscow interests, spoke generally supportively of international aid efforts in North Ossetia focused on infrastructure support, agriculture, and economic development. On the subject of education, he said that it was his republic's job to teach its children and that international

groups should stay away from the subject. Tabolov spoke positively of USAID's work with CFNO. (Note: Prigorodny witnessed a brief interethnic war in 1992 between the Ingush and Ossetians that drove most of the Ingush out. The settlements were then inhabited by South Ossetian refugees from Georgia before a 1995 Russian-mediated Ossetian-Ingush agreement induced the North Ossetian authorities to allow a limited number of Ingush families from four settlements in the Prigorodny Raion to return.)

14.(SBU) On October 1 we visited two USAID projects implemented by World Vision in Prigorodny in the settlements of Kurtat and Dachnoye. The communities are close to the border with Ingushetia. The projects there involve the establishment of public volunteer councils to identify problems in the community, the identification and selection of community projects, and the formation of teams from the community to carry out the work. The communities have identified and undertaken work on several activities to date including the refurbishment of a community space around a mosque, the renovation of a community center, and facility improvements at the main school in Dachnoye. While the projects themselves were very simple, the process brought Ossetian and Ingush community members together in a unique forum to make decisions. In a community where Ingush and Ossetians do not formally gather socially, the mixed Ingush and Ossetian public council determined that the mosque was an important community project. On October 2, we visited a CFNO project site in the Prigorodny settlement of Gizel, where CFNO has worked with a local bakery to provide equipment to improve production and increase the number of jobs in the economically depressed area. Work is also underway to provide running water to housing units in Gizel to avoid the use of contaminated shallow dug wells. The head and deputy head of the Prigorodny Raion accompanied us on the site visits and conveyed strong support of USAID's continued work in the district.

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OPPORTUNITIES AND CHALLENGES TO U.S. ASSISTANCE  
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15.(SBU) USAID held roundtables on September 30 in Vladikavkaz and on October 2 in Nalchik (Kabardino-Balkaria) to discuss broadly the impact of USAID programming, opportunities to refocus programming to areas of greater traction, and implementation challenges.

Participants focused on several key themes, including:

- maintaining a focus on youth as a source of positive change and the key risk group for conflict;
- the enabling environment for creating and providing economic opportunity and education;
- coordination of programs and information throughout the NGO community and donor organizations, and with local government;
- the challenge of efficiently managing projects throughout the region given the travel restrictions and security precautions; and
- the sustainability of development interventions and NGO capacity building in the region.

The participation of a Republic Duma Deputy in Kabardino-Balkaria led to some heated questioning of U.S. interest in the region against the backdrop of recent events in Georgia. At the same time, we observed an interest in work with USG partners given the magnitude of the social and economic challenges facing the region.

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COMMENT  
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16.(SBU) The immediate humanitarian crisis has passed, however, the region continues to face a deficit of resources, political will, and economic opportunities to improve stability and the economy. The new burden of South Ossetia will only further draw down the region's limited economic and administrative resources. USAID's upcoming assessment will help us identify what opportunities exist for our future programs under these conditions. With the downward spiral of violence in Ingushetia, USG programs are well placed to reduce interethnic conflict, provide modest local improvements in economic opportunity, and engage at-risk youth but the challenges to making

progress are immense and the needs in each republic unique. USAID's ability to forge and maintain productive relationships with local officials will remain key to ensuring access for and the effectiveness of programs. While local officials face some pressures to control and limit international engagement in the region, the positive disposition of some officials and at least the pragmatic inclinations of others will hopefully provide a stable if not particularly strong access point for our work in the region.

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